

Message Text

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64

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 SAJ-01 STR-04 SWF-01 AID-05 CEA-01 COME-00

EB-06 FRB-01 CIEP-02 TRSE-00 LAB-03 SIL-01 SAM-01

OMB-01 OES-04 FEA-01 INT-05 COA-01 AGR-10 /116 W

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R 071730Z NOV 74

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 4956

INFO AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY HELSINKI

AMEMBASSY COPENHAGEN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

COMICEDEFOR

CINCLANT

USMISSION NATO

UNCLAS REYKJAVIK 1506

E.O. 11652: N/A

TAGS: EEWT ETRD ENRG IC UR NO GW

SUBJECT: ICELAND TRADE WITH THE SOVIET UNION (OIL PRICE PROBLEM)

AND WITH EC (FISHERIES LIMIT DISPUTE WITH W GERMANY)

REF: REYKJAVIK 1467, 1485

1. SUMMARY. ICELANDIC COMMERCE MINISTER RETURNED FROM MOSCOW
LAST WEEKEND AND CALLED ON EXPORTERS TO "CULTIVATE" TRADE WITH
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RUSSIA AND TO SEEK NEW MARKETS IN WESTERN EUROPE. HE ALSO REPEATED

REMARKS MADE TO PRESS IN HELSINKI REGARDING ICELAND'S DEBT PROBLEMS WITH SOVIETS BECAUSE OF HIGH OIL PRICES. MINISTER MENTIONED CONCERN EXPRESSED IN EFTA OVER FAILURE TO IMPLEMENT AGREEMENT ICELAND HAS WITH EC REGARDING FISH PRODUCTS, AND SAID IT WAS FIRST TIME EFTA ACTIVELY SUPPORTED ICELAND'S GENERAL POSITION. WITH RESPECT TO ACTUAL NEGOTIATIONS WITH WEST GERMANS, PROPOSALS SUBMITTED BY ICELANDIC DELEGATION TO GOVERNMENT HERE FOLLOWING TALKS LAST WEEK IN GERMANY HAVE BEEN SET ASIDE FOR TIME BEING, REPORTEDLY BECAUSE OF DISSATISFACTION BY ONE OF THE COALITION PARTIES.

2. COMMERCE MINISTER OLAFUR JOHANNESSEN AND COMMERCE SECRETARY GENERAL THORHALLUR ASGEIRSSON HAVE JUST RETURNED FROM MOSCOW VIA HELSINKI WHERE THEY HAD TALKS ON SOVIET-ICELANDIC TRADE INCLUDING THE ICELANDIC DEBT TO RUSSIA DUE TO HIGH OIL PRICES (SEE REFTELS). IN HELSINKI THEY ATTENDED MEETINGS OF EFT.

3. IN CONNECTION WITH THE TALKS WITH THE SOVIET TRADE OFFICIALS THE COMMERCE MINISTER AT A PRESS CONFERENCE ON NOVEMBER 4 POINTED OUT THAT ICELANDIC TRADE WITH THE USSR IS VERY IMPORTANT AND IT IS THE DUTY OF ICELANDERS TO CULTIVATE IT. HE CLAIMED THAT TRADE WITH RUSSIA HAD SAVED THE ECONOMY WHEN THE BRITISH CLOSED THEIR MARKETS TO ICELAND BECAUSE OF A DISPUTE OVER FISHING LIMITS AT THE TIME ICELAND HAD NOT YET STARTED TO SELL TO THE U.S. WHICH IS ITS BIGGEST MARKET NOW. "I WANT TO EXPRESS MY OPINION," THE MINISTER SAID, "THAT EXPORTERS SHOULD CULTIVATE THE TRADE WITH RUSSIA, AND I THINK IT IS HIGHLY INAPPROPRIATE THAT EXPORTS SHOULD DEPEND ON ANY ONE MARKET. THEREFORE IT IS ALSO OF IMPORTANCE THAT EMPHASIS WILL BE PUT ON OPENING NEW MARKETS IN WESTERN EUROPE WHERE CONSUMPTION PATTERNS ARE GROWING TO BE SIMILAR TO THOSE IN THE U.S. THE CONSUMERS WANT THE PRODUCT READY TO BE COOKED AND ICELANDERS HAVE THE EXPERIENCE OF FISH DISHES PRODUCTION FROM THEIR FACTORIES IN THE U.S. AND WHY SHOULDN'T WE THEN BE ABLE TO BUILD AND OPERATE A SIMILAR FACTORY IN EUROPE AS WE HAVE BOTH THE KNOWLEDGE (KNOW-HOW) AND EXPERIENCE IN THE PRODUCTION OF FISH DISHES." AT THE END THE MINISTER REPEATED THAT THE OIL ISSUE IS ONE OF ICELAND'S BIGGEST PROBLEMS TODAY AND IT WAS NEVER STRESSED ENOUGH TO PEOPLE TO SAVE AS MUCH OIL AND GASOLINE AS THEY COULD FOR THEIR OWN AND THE NATION'S BENEFIT.

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4. THE MINISTER TOLD THE PRESS THAT AT THE EFTA SESSION IN HELSINKI (OCTOBER 31-NOVEMBER 1) ONE OF THE MAIN ISSUES DISCUSSED WAS THE IMPLEMENTATION OF THE AGREEMENT EFTA HAD WITH THE EC COUNTRIES AND THE QUESTION AROSE CONCERNING THE DELAY IN IMPLEMENTING THE AGREEMENT ICELAND HAD ON FISH PRODUCTS. THIS AGREEMENT HAS BEEN HELD UP SINCE AGREEMENT HAD NOT BEEN REACHED WITH THE WEST GERMANS ON THE FISHING LIMITS ISSUE. JOHANNESSEN SAID THAT

NORWEGIAN FINANCE MINISTER KLEPPA PROPOSED A RESOLUTION WHICH WAS ACCEPTED THAT THE EFTA ANNOUNCE ITS CONCERN OVER THE AGREEMENT NOT BEING IMPLEMENTED. MOREOVER KLEPPE SAID THE NORWEGIANS WOULD RAISE THE MATTER IN THE JOINT COMMITTEE TALKS COMING UP IN DECEMBER WITH THE EC AND PROPOSED THAT OTHER EFTA COUNTRIES DO LIKEWISE. THE ICELANDIC COMMERCE MINISTER FELT THIS WAS NOTE-WORTHY IN VIEW OF THE PREVIOUS RETICENCE OF THE EFTA COUNTRIES TO BECOME INVOLVED IN ICELAND'S DISPUTE. HOWEVER, THE MINISTER WAS QUICK TO RECOGNIZE THAT THE RESOLUTION DOES NOT SOLVE THE PROBLEM, BUT "IT IS OF GREAT HELP TO US."

5. THE ICELANDIC DELEGATION RECENTLY RETURNED FROM GERMANY BUT THE PROPOSALS THEY DISCUSSED HAVE NOT BEEN MADE PUBLIC, REPORTEDLY BECAUSE OF OPPOSITION FROM THE PROGRESSIVE PARTY. FURTHER CONSIDERATION HAS BEEN POSTPONED, ACCORDING TO REPORTS, BECAUSE OF TRAVEL PLANS OF CABINET OFFICIALS.
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